

Consumer confidence falls in October after two consecutive positive prints

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- **Consumer confidence (October, sa): 43.9pts; Banorte: 45.0pts. consensus: 45.0pts (range: 43.5 to 48.0pts); previous: 44.7pts**
- **Confidence edged-down by 1.0pt, breaking with two consecutive increases. All sub-indices were marginally lower, albeit with the indicator still relatively high when compared to its long-term average**
- **By components, the most relevant fall was in household's future conditions, followed by the same category but for the country. On the other hand, the purchasing power component was stable, in line with the monthly performance of annual inflation**
- **We maintain our view that consumer confidence will fall at a gradual pace, with political sentiment still acting as a support in coming months**

Consumer confidence falls in October, but remains relatively high.

According to the report, consumer confidence was weaker, standing at 43.9pts (sa) in October, breaking with two consecutive increases. Overall results were negative, with all five sub-indices lower, at least marginally.

In particular, the most significant contraction in those components was related to household's and country's expectations, down 2.0pts and 1.5pts, respectively. We believe that this decrease could be explained by prevailing uncertainty, which despite sowing some improvements both domestically (i.e. additional government spending and a better outlook for USMCA) and globally (i.e. lower trade tensions between the US and China), still remains high. In particular, the performance of the country's expectations sub-index contrasts with the recent uptick in presidential approval, which according to the poll of polls by *Oraculus*, edged-up 2%-pts to 51% in net terms. We believe that one of the factors that could have driven this adjustment are the events that unfolded in Culiacan, Sinaloa on October 17th. Nevertheless, given the timing of this event, its impact on overall results for the survey should have been limited.

Regarding current conditions, both households (-0.7pts) and the country (-0.4pts) decreased, which we believe is still largely driven by the recent performance of economic activity, which still shows some signs of stagnation. In addition, the pace of formal job creation continues at a slow pace, even with the slight improvement seen in September.

Finally, the 'purchasing power' component was only marginally lower (-0.03pts) when compared to the previous month and remains way below the level observed in other sub-indices, although still above its long-term average. In particular, we believe that the recent dynamics of inflation, with the annual comparison hovering around the central bank's target, and particularly after two years of considerable price pressures, is helping to maintain the above average levels. However, prospects regarding employment could be dampening this latter improvement.

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Consumer confidence: October 2019

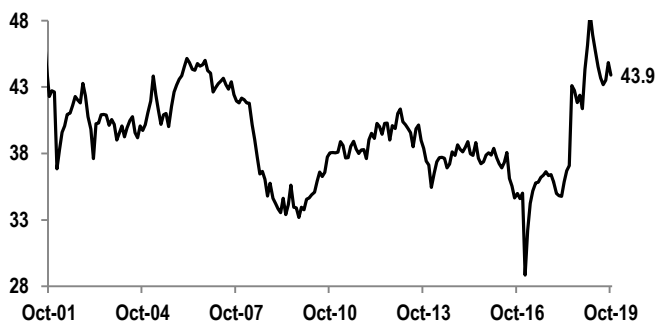
seasonally-adjusted index; % m/m

	Oct-19	Sep-19	Difference
Headline index	43.9	44.8	-1.0
Households'			
Current conditions	48.7	49.4	-0.7
Expectations	55.0	57.0	-2.0
National			
Current conditions	42.2	42.6	-0.4
Expectations	49.1	50.6	-1.5
Households' purchasing power	24.4	24.5	0.0

Source: INEGI

Consumer confidence

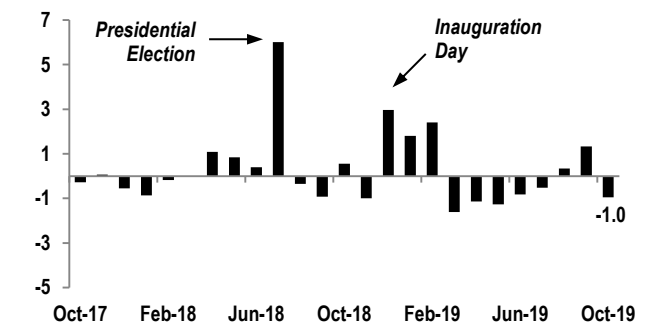
Indicator, sa



Source: INEGI

Consumer confidence

Monthly change in pts, sa



Source: INEGI

We continue to expect a gradual decline in consumer confidence. With today's print, consumer sentiment broke with two consecutive increases. Particularly, and as we previously mentioned, we believe that the deceleration in economic activity –which has also translated into a slowdown in formal job creation–, will dampen components related to household as well as purchasing power. In addition, uncertainty still prevails at a global scale, with impeachment proceedings starting in the US. However, there have been some improvements regarding trade in recent days, with the possibility of a trade agreement between the US and China. Finally, we see a gradual depreciation of the currency by the end of the year, a factor that could also be reflected in a more pessimistic opinion about the country's conditions going forward.

Nevertheless, we continue to believe that political sentiment will continue to support confidence, despite what was seen in today's report, particularly when taking into account that some of the most recent –and significant– spikes have been related to this. In this context, and once again using figures from *Oraculus*, net approval has averaged 54.5pts, during the first 11 months of the new government, largely outperforming dynamics seen during previous presidential periods, which we believe supports our expectation.

Overall, we reiterate our expectation that consumer confidence will reestablish its downward trend even if it is likely to show some volatility due to the specific backdrop and events.

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